

985
INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

#06-0000168
ORDER RECORDED UNDER CODE
OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

SUPPLEMENTAL ORDER REGARDING DOCKET NO. VGOB 05-0920-1495

ELECTIONS, UNIT: Watkins 19-CBM Unit 72-AB

(hereinafter "Subject Drilling Unit")

REPORT OF BOARD

FINDINGS AND ORDER

1. This Supplemental Order is entered by the Board *sua sponte* in the form authorized by the Board at its hearing held at 9:00 a.m. on October 20, 1992, Board of Supervisors Room, Courthouse, Grundy, Virginia, and pursuant to authority granted to the Board's Chairman at the hearing of the Virginia Gas and Oil Board on June 16, 1992 at 9:00 a.m. at the Rhododendron Restaurant at the Breaks Interstate Park, Breaks, Virginia; and this Supplemental Order is being recorded for the purpose of (1) complying with the requirements of the Virginia Gas and Oil Board Regulations, 4 VAC 25-160.70C by supplementing the Order previously issued by the Board for subject Docket on September 20, 2005, and recorded at Land Record Instrument No. 050003113 in the Office of the Clerk of the Circuit Court, Buchanan County, Virginia on October 14, 2005, (herein "Board Order") and (2) to complete the record regarding elections. The Board Order pooled all interests in Subject Drilling Unit including those of the Respondents more particularly set forth and identified by the Designated Operator in the affidavits attached hereto and made a part hereof. The Board finds it has jurisdiction over the subject matter pursuant to the provisions of the Virginia Gas and Oil Act, § 45.1-361.1 *et seq.*, Virginia Code, 1950 as amended.
2. Findings: The Board finds that:
 - (a) The Board Order directed Pine Mountain Oil and Gas, Inc., (herein the "Designated Operator"), to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by said Board Order;

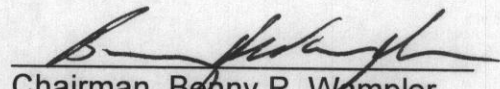
- (b) The Designated Operator filed its affidavit of mailing dated October 26, 2005, disclosing that it had mailed a correct copy of the Board's Order to all Respondents whose interests, if any, were pooled by said Board Order;
- (c) The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make his or her election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the Designated Operator has filed its affidavit dated November 16, 2005, in accordance with § 7.C of the Virginia Gas and Oil Board Regulations and 4 VAC 25-160.7C (herein "Affidavit of Elections"), wherein it has, for each Respondent whose interests, if any, were pooled by said Board Order, stated: (i) whether each Respondent has made or failed to make a timely election; (ii) the nature of the election made if any; (iii) whether, by reason of failure to elect or to timely elect one or more Respondents are deemed, under the terms of the Board's Order, to have leased all their rights, title, interest, estates and claims in Subject Drilling Unit to the Designated Operator;
- (d) The Board Order further required the Designated Operator, after expiration of the election period, to file with the Board a statement of the interests subject to escrow under the terms and provisions of the Board Order, in light of the elections made or deemed to have been made (herein "Statement of Interests"); that the Designated Operator furnished said Statement of Interests as part of its Affidavit of Elections;
- (e) Current Board standards requiring the escrow of funds and the Board's agreement with its Escrow Agent, Wachovia Bank, Corporate Trust PA1328, 123 South Broad Street, Philadelphia, PA 19109-1199, Attn: Rachel Rafferty, or any successor named by the Board, require the entry of a Supplemental Order establishing of record the elections made or deemed to have been made and specifying the sums or percentage thereof subject to escrow. Current Board escrow standards were made applicable to Subject Drilling Unit by a Board Order dated October 13, 2005. The Affidavit of Elections indicates that the escrow of funds is no longer required with regard to Unit 72-AB.

3. Order: By this Order, the Board orders the Designated Operator to tender, consistent with and in accordance with the findings set forth at Paragraph 2 above and the annexed Affidavit with Exhibits thereto, any funds subject to escrow and instructs the Escrow Agent, Wachovia Bank, Corporate

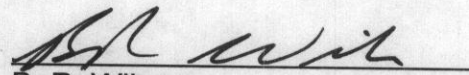
Trust PA1328, 123 South Broad Street, Philadelphia, PA 19109-1199, Attn: Rachel Rafferty, or any successor named by the Board to establish interest-bearing escrow account(s), IRS Tax Identification Number 54-1629506, in accordance with the information set forth in said affidavit with Exhibits thereto, to receive such funds and account to the Board therefor. The Respondents listed in Exhibit B-2 to the Affidavit of Elections are dismissed.

4. Mailing of Order and Filing of Affidavit: The Designated Operator under the captioned Order or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this Order stating that a true and correct copy of this Order has been mailed within seven (7) days from the date of receipt of this Order to each person whose interest or claim is subject to escrow and whose address is known.
5. Conclusion: Therefore, the findings and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
6. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 10th day of January, 2006,
by a majority of the Virginia Gas and Oil Board

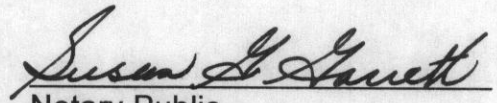

Chairman, Benny R. Wampler

DONE AND PERFORMED this 11th day of January, 2006,
by the Order of this Board.


B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF Wise)

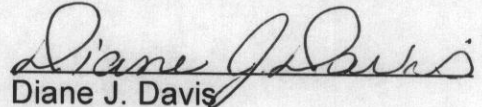
Acknowledged on this 10th day of January, 2005⁶,
personally before me a notary public in and for the Commonwealth of
Virginia, appeared Benny R. Wampler, being duly sworn did depose and
say that he is Chairman of the Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.


Notary Public

My commission expires: 7/31/06.

STATE OF VIRGINIA)
COUNTY OF Washington)

Acknowledged on this 11th day of January, 2005⁶,
personally before me a notary public in and for the Commonwealth of
Virginia, appeared B. R. Wilson, being duly sworn did depose and say that
he is Principal Executive to the Staff, Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires: 9-30-09.

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE: Application of Pine Mountain Oil and Gas, Inc., for Forced Pooling of Interests in Unit Number Watkins-19-CBM Unit 72-AB VGOB Docket No. 05-0920-1495 in the Prater District, Prater Quadrangle, Buchanan County, Virginia.

AFFIDAVIT OF MCKINNIS & SCOTT, Attorneys-at-Law, Agents for the Designated Operator REGARDING ELECTIONS, ESCROW ACCOUNTS AND SUPPLEMENTAL ORDER

Timothy E. Scott (herein Affiant), being duly sworn on oath, deposes and says:

1. That the Affiant is an attorney in the law firm of MCKINNIS & SCOTT, the Agent for the Designated Operator, with offices located at 135 W. Main Street, Suite 200, Kingsport, Tennessee 37660, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on October 13, 2005 by the Virginia Gas and Oil Board regarding the captioned Coalbed Methane Gas Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2, above, the Affiant was directed to cause a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who are added as Respondents at the hearing held in the captioned matter;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on October 14, 2005.
5. That the Designated Operator, by and through their agent, McKinnis & Scott, Attorneys-at-Law, have established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interest have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons or entities delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election periods:

NONE

6. That the interest and/or claims of the following persons or entities (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, as unknown or unlocatable:

NONE

7. That after the pooling hearing held in the captioned matter, the following persons or entities have leased or entered into a voluntary agreement with the Designated Operator with regard to their interest and/or claims:

Tract 3 (Gas and Coalbed Methane Estate)

<u>Owner</u>	<u>Status</u>	<u>Percentage</u>	<u>Acreage</u>
Stoney Dean Deel Route 6, Box 14A Tazewell, VA 24651	Leased Pine Mtn.	0.410000%	0.240000

8. That the Designated Operator with regard to persons previously requiring the services of the Escrow Agent have now reached an agreement regarding their interests or claims that allows Applicant/Designated Operator to make royalty distribution without the need to escrow funds which would otherwise be in conflict:

Tract 4 (Gas Estate)

Harmon and Wanda Lee Boyd Route 1, Box 595 Dotson Ridge Road Ceres, VA 24318	Leased Pine Mtn.	0.310000%	0.180000
--	---------------------	-----------	----------

9. That the following persons or entities have not made a timely election and have failed to enter into an agreement with the Designated Operator and their respective interests shall be deemed to have leased pursuant to and in accordance with Paragraph 10 of the Order. See Exhibit B-3:

NONE

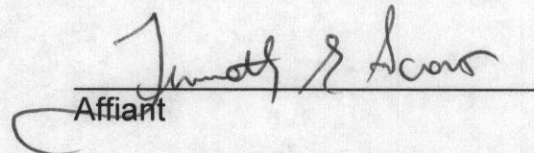
10. The Designated Operator requests that the following persons be dismissed as Respondents:

Stoney Dean Deel

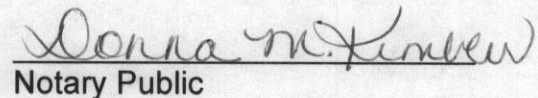
Tract 3

That pursuant to the provisions of 4VAC 25-160.70.A.10 and .C and VAC 25-160-80 annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth that the services of the Escrow Agent are not required in this matter pursuant to the terms of §§ 45.1-361.21.D and 45.1-361.22.A.3 and .4.

Dated at Kingsport, Tennessee, this 16th day of November, 2005.


Affiant

Taken, subscribed and sworn to before me by Timothy E. Scott, The Agent for Pine Mountain Oil and Gas, Inc., a corporation, on behalf of the corporation, this 16th day of November, 2005.


Notary Public

My commission expires: _____

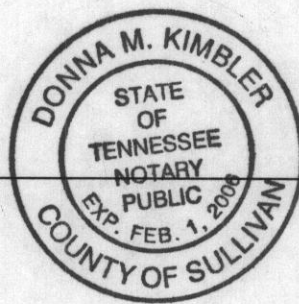


EXHIBIT B-2
Watkins 19-CBM Unit 72-AB
VGOB-05-0920-1495
LIST OF RESPONDENTS TO BE DISMISSED

<u>TRACT</u>	<u>LESSOR</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>	<u>REASON FOR DISMISSAL</u>
<u>Gas Estate Only</u>				
3	Stoney Dean Deel Route 6, Box 14A Tazewell, VA 24651	0.410000%	0.240000	Leased
	TOTAL GAS ESTATE	0.410000%	0.240000	
<u>CBM Estate Only</u>				
3	Stoney Dean Deel Route 6, Box 14A Tazewell, VA 24651	0.410000%	0.240000	Leased
	TOTAL CBM ESTATE	0.410000%	0.240000	

EXHIBIT B-3
REVISED 11/16/2005
Watkins 19-CBM Unit 72-AB
VGOB-05-0920-1495
PARTIES WHO HAVE NOT REACHED A VOLUNTARY AGREEMENT
WITH OPERATOR

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
--------------	---------------	-------------------------	-------------------------------------	--------------------------------------

This Unit is 100% leased.

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 18th day of January, 2006 2:04P M.
Deed Book No. _____ and Page No. _____.
Returned to: Dmme TESTE: James M. Bevins, Jr., Clerk
TESTE: Dwight S. Miller Deputy Clerk

[c:\msword2000\pmog\pooling.Watkins-19.supp.exb-3]